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UNITED STATES SPECIAL OPERATIONS COMMAND'S REPORTING OF  
REAL AND PERSONAL PROPERTY ASSETS ON THE FY 2000  
DOD AGENCY-WIDE FINANCIAL STATEMENTS

Report No. D-2001-169

August 2, 2001

Office of the Inspector General  
Department of Defense

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### **Acronyms**

ADP	Automated Data Processing
AFEMS	Air Force Equipment Management System
AFSOC	Air Force Special Operations Command
C4IAS	Command, Control, Communications, Computers, and Intelligence Automated System
DFAS	Defense Finance and Accounting Service
FMR	Financial Management Regulation
NSWC	Naval Special Warfare Command
ODO	Other Defense Organizations
OUUSD(AT&L)	Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics
PP&E	Property, Plant, and Equipment
SSAVIE	Special Operations Forces Sustainment, Asset Visibility, and Information Exchange
USASOC	U.S. Army Special Operations Command
USD(C)	Under Secretary of Defense (Comptroller)
USSOCOM	U.S. Special Operations Command



INSPECTOR GENERAL  
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August 2, 2001

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
COMMANDER IN CHIEF, U.S. SPECIAL OPERATIONS  
COMMAND

SUBJECT: Audit Report on United States Special Operations Command's Reporting of  
Real and Personal Property Assets on the FY 2000 DoD Agency-Wide  
Financial Statements (Report No. D-2001-169)

We are providing this audit report for information and use. We performed the audit in support of the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994. We considered management comments on a draft of this report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. David F. Vincent at (703) 604-9109 (DSN 664-9109) (dvincent@dodig.osd.mil) or Ms. Barbara A. Sauls at (703) 604-9129 (DSN 664-9129) (bsauls@dodig.osd.mil). See Appendix B for the report distribution. The audit team members are listed inside the back cover.

A handwritten signature in dark ink, appearing to read "Thomas F. Gimble", is positioned above the printed name.

Thomas F. Gimble  
Acting  
Deputy Assistant Inspector General  
for Auditing

## Office of the Inspector General, DoD

Report No. D-2001-169

(Project No. D2001FH-0044.001)

August 2, 2001

### United States Special Operations Command's Reporting of Real and Personal Property Assets on the FY 2000 DoD Agency-Wide Financial Statements

#### Executive Summary

**Introduction.** This audit was performed to support the requirements of the Chief Financial Officers Act of 1990, as amended by the Federal Financial Management Act of 1994, which requires DoD and other Government agencies to prepare consolidated financial statements. This report is the second in a series of reports on accounting for property, plant, and equipment in the unified combatant commands. The first report indicated that Headquarters, Transportation Command, and the Air Mobility Command could not support the amounts reported in the FY 2000 DoD Agency-Wide Financial Statements for property, plant, and equipment. This audit supports the FY 2000 DoD Agency-Wide Financial Statements, which include a reporting entity entitled "Other Defense Organizations." The Other Defense Organizations-General Fund includes a consolidation of financial information from various Defense organizations and funds that use the Department 97 symbol. The U.S. Special Operations Command is the only unified combatant command that is included in the Other Defense Organizations-General Fund. For FY 2000, the Defense Finance and Accounting Service reported \$675.8 million in assets for the U.S. Special Operations Command.

**Objectives.** Our overall audit objective was to determine the accuracy of the unified combatant commands' reporting of real and personal property on the FY 2000 DoD Agency-Wide Financial Statements. This report focuses solely on the U.S. Special Operations Command. Our specific audit objective was to determine the accuracy of the U.S. Special Operations Command's reporting of real and personal property on the FY 2000 DoD Agency-Wide Financial Statements. We also reviewed the management control program as it related to real and personal property reporting.

**Results.** The U.S. Special Operations Command did not accurately report the value of its real property in the supporting data that should be used to prepare the FY 2000 DoD Agency-Wide Financial Statements. As a result, the U.S. Special Operations Command understated the amount of the real property that it occupied by approximately \$1.2 billion.

The U.S. Special Operations Command did not accurately report the value of its personal property in its supporting data for the FY 2000 DoD Agency-Wide Financial Statements. In addition, the Defense Finance and Accounting Service Indianapolis did not use the personal property data that the U.S. Special Operations Command reported. As a result, the U.S. Special Operations Command and the Defense Finance and Accounting Service Indianapolis understated the amount of personal property on the FY 2000 DoD Agency-Wide

Financial Statements by approximately \$79 million. For details of the audit results, see the Finding section of the report. See Appendix A for details of the review of the management control program.

On December 6, 2000, DoD established the Property, Plant, and Equipment Program Management Office to coordinate and oversee DoD efforts to resolve existing property, plant, and equipment accountability, accounting, and reporting problems. This office is composed of personnel from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller). Because of the Property, Plant, and Equipment Program Management Office's efforts to change the preponderant use policy, we are not making recommendations on real property reporting for U.S. Special Operations Command.

**Summary of Recommendations.** We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller) provide clarifying guidance on how to distinguish between the property, plant, and equipment of the U.S. Special Operations Command and the Military Departments. We also recommend that clarifying guidance be provided on how to differentiate between general property, plant, and equipment and national defense property, plant, and equipment; and how to account for and report automated data processing equipment. We recommend that the Commander in Chief, U.S. Special Operations Command, develop an infrastructure for financial statement reporting, and develop guidance for reporting real and personal property data to the Defense Finance and Accounting Service Indianapolis.

**Management Comments.** The Under Secretary of Defense for Acquisition, Technology, and Logistics concurred with the recommended policy changes in definitions and criteria for property, plant, and equipment, but disagreed that the Draft DoD 5000.nn-M, "Property, Plant, and Equipment," should be changed. The Under Secretary stated that the policy changes should be made to the "DoD Financial Management Regulation." The Under Secretary agreed to work with the Under Secretary of Defense (Comptroller) to ensure that such changes were made.

The Under Secretary of Defense (Comptroller) agreed to clarify policy on identifying what organization should report specific property, plant, and equipment, and to include language to more clearly assist the DoD Components in reporting automated data processing equipment. However, the Under Secretary did not agree to provide clarifying policy on the definition of property, plant, and equipment as general or National Defense until the Federal Accounting Standards Advisory Board issues its new Federal accounting standard.

The Commander in Chief, U.S. Special Operations Command, concurred with the recommendations and has already instituted plans to baseline its inventory reporting requirements and plans to develop and issue guidance for property, plant, and equipment reporting throughout the Command.

**Audit Response.** We consider the comments from the Under Secretary of Defense for Acquisition, Technology, and Logistics; the Under Secretary of Defense (Comptroller); and the Commander in Chief, U.S. Special Operations Command, to be responsive to the recommendations. Based on management comments, we modified our report where appropriate. See the Finding section for a discussion of the management comments, and the Management Comments section for the complete text.

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## Background

This audit was performed to support the requirements of Public Law 101-576, the “Chief Financial Officers Act of 1990,” November 15, 1990, as amended by Public Law 103-356, the “Federal Financial Management Act of 1994,” October 13, 1994. In accordance with the Chief Financial Officers Act of 1990, the Inspector General, DoD, is responsible for auditing the DoD Consolidated Financial Statements. Accurate reporting of all real and personal property in the Military Departments’ real and personal property databases is essential to DoD receiving favorable audit opinions.

This report is the second in a series of reports on accounting for general property, plant, and equipment in the unified combatant commands. The first report indicated that Headquarters, U.S. Transportation Command, and the Air Mobility Command could not support the amounts reported in the FY 2000 DoD Agency-Wide Financial Statements for property, plant, and equipment.

Operational control of the U.S. combat forces is assigned to the nation’s unified combatant commands. A unified combatant command is composed of forces from two or more Services, has a broad and continuing mission, and is normally organized on a geographical basis. The number of unified combatant commands is not fixed by law or regulation and may vary from time to time. Currently, there are nine unified combatant commands. The U.S. Special Operations Command (USSOCOM) is one of the nine.

On April 16, 1987, USSOCOM was formally established as a unified combatant command at MacDill Air Force Base, Tampa, Florida. USSOCOM is composed of Army, Navy, and Air Force Special Operations Forces. The USSOCOM mission is to support the geographic commanders in chief, ambassadors and their country teams, and other Government agencies by preparing special operations forces to successfully conduct special operations, including civil affairs and psychological operations. All special operations forces of the Army, Navy, and Air Force based in the United States were placed under USSOCOM.

The component commands of USSOCOM are the U.S. Army Special Operations Command (USASOC), the Naval Special Warfare Command (NSWC), and the Air Force Special Operations Command (AFSOC). The USASOC, headquartered at Fort Bragg, North Carolina, commands active and Army Reserve Special Forces. USASOC is responsible to USSOCOM for the readiness of Special Forces, Rangers, and special operations aviation, civil affairs, and psychological operation units for deployment to unified combatant commands around the world. The NSWC, located in Coronado, California, is responsible to USSOCOM for the readiness of active and Naval Reserve special warfare forces. The AFSOC, located at Hurlburt Field, Florida, is responsible to USSOCOM for the readiness of active, Air Force Reserve, and Air National Guard special operations forces for worldwide deployment.

## Objectives

The overall audit objective was to determine the accuracy of the unified combatant commands’ reporting of real and personal property on the FY 2000 DoD Agency-Wide

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Financial Statements. This report focuses solely on USSOCOM. We also reviewed the management control program as it related to the reporting of real and personal property. Our specific audit objective was to determine the accuracy of the USSOCOM reporting of real and personal property on the DoD Agency-Wide financial statements. See Appendix A for a discussion of the audit scope and methodology and the review of the management control program.



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## **Accuracy of USSOCOM Real and Personal Property Assets on the FY 2000 DoD Agency-Wide Financial Statements**

USSOCOM did not accurately report the value of its real and personal property in the financial reports provided to the Defense Finance and Accounting Service (DFAS) Indianapolis. In addition, DFAS did not use USSOCOM financial data for personal property in generating the balance sheets for the Other Defense Organizations and the FY 2000 DoD Agency-Wide Financial Statements. These problems occurred because:

- USSOCOM had not implemented specific guidance on the application of the preponderant use policy for real property;
- DoD changed the reporting requirements for USSOCOM without providing USSOCOM, as a unified combatant command, the guidance and authority needed to properly execute the reporting requirements; and
- USSOCOM did not have the infrastructure needed to accurately report real and personal property.

As a result, in USSOCOM financial data, an estimated \$1.2 billion in real property was not reported and the value of USSOCOM personal property was understated by at least \$79 million.

## **DOD Financial Report Compilation**

**Uniqueness of USSOCOM.** USSOCOM has the responsibility for managing a separate major force program through its own separate funding. This separate funding ensures that the special operations force program has visibility at the DoD and congressional levels. The Commander in Chief of USSOCOM is the sole unified commander with responsibility for planning, programming, and budgeting of military forces. In addition, the Commander in Chief of USSOCOM is responsible for special operations-peculiar equipment, materials, supplies, and services, which have no Service-common requirement. The definition of special operations-peculiar also includes modifications approved by the Commander in Chief, USSOCOM, for application to standard items and services used by other DoD forces; and items and services approved by the Commander in Chief, USSOCOM, as critically urgent for the immediate accomplishment of a special operations activity.

USSOCOM is the only unified combatant command reported under the Other Defense Organizations (ODO) – General Funds column of the FY 2000 DoD Agency-Wide Financial Statements. The financial aspects of the other unified combatant commands are reported through their executive agents or in the case of the U.S. Transportation Command, under the Working Capital column for ODO.

In the DoD Agency-Wide financial statements, DFAS includes financial data for the ODO General Fund, which includes various DoD organizations not covered in the statements required by the Office of Management and Budget. Specifically, the ODO

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includes the entities using funds and accounts with Treasury Index No. 97 (Department 97) appropriations and the portion of the Department 97 funds suballocated to the Military Departments.

**DFAS Responsibilities.** DoD Regulation 7000.14-R, the “DoD Financial Management Regulation” (DoD FMR), volume 6, “Reporting and Policy Procedures,” February 1996, defines the roles and responsibilities of DFAS and its customers regarding financial statement preparation. Volume 6 requires DFAS to establish procedures to ensure that the process for preparing financial statements is consistent, timely, and auditable, and that controls are in place to provide for the accuracy of the reports. DFAS Indianapolis is the accounting organization responsible for consolidating the ODO financial statement data from all DFAS organizations. For ODO components such as USSOCOM, each DFAS center reports for its respective component.

USASOC reported the portion of its general property, plant, and equipment (PP&E) belonging to units that had not migrated to the Defense Property Accountability System to DFAS Orlando. NSWC reported part of its general PP&E data to the Navy Financial Management Office for reporting on the Navy financial statements. In addition, NSWC responded to a USSOCOM data call and reported general PP&E to USSOCOM that it had not reported to the Navy. AFSOC reported PP&E data for special operations-peculiar equipment to USSOCOM.

## **Real Property Guidance, Responsibilities, and Accountability**

USSOCOM did not accurately report the value of its real property in the financial reports sent to DFAS Indianapolis. This occurred because USSOCOM had not implemented the Under Secretary of Defense (Comptroller) (USD[C]) policy on preponderant use. As a result, an estimated \$1.2 billion for real property was not reported in USSOCOM FY 2000 financial reports to DFAS.

**General PP&E Regulations.** The DoD FMR provides accounting guidance for PP&E. The regulation states that assets shall be assigned a dollar value that is supported by source documents that reflect the cost of all transactions affecting the DoD Component’s investment in the general PP&E assets. In addition, the DoD FMR includes a section on the “Treatment When the Preponderant User of an Asset is Not the Owner or DoD Component that Financed the Asset.” This section states that DoD Components shall only report predominately used general PP&E assets owned by other DoD Components when the cost of those assets, taken as a whole, are material to the predominant user Component’s financial statements. This is in keeping with the concept that each entity’s full cost should incorporate the full cost of goods and services that it receives from other entities. The recognition of full cost is limited to material items or amounts that are significant to the receiving entity and form an integral or necessary part of the receiving entity’s output.

In the case of USSOCOM and its components, they do not own real property, but they are the preponderant users of some real property on Army, Navy, and Air Force installations. Even though USSOCOM may have financed the construction of a

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building or the renovation of an asset in some cases, the Military Departments still own the property and maintain the detailed records for it. As a result, USSOCOM and its components must rely on the record keeping of the Military Departments.

**Guidance from Headquarters USSOCOM.** USSOCOM had not issued implementing guidance for the preponderant use policy. This occurred because of discussions held between the USD(C) and USSOCOM. USD(C) gave verbal instructions to USSOCOM to suspend the financial reporting of real property pending an upcoming change in the preponderant use policy for real property. As a result, the Military Departments reported the real property that USSOCOM and its components occupied.

The FY 2000 DoD Agency-Wide Financial Statements were not understated by the value of real property occupied by USSOCOM. However, the USD(C) guidance that was current as of April 2000 required that USSOCOM report the value of the real property that it occupied. Because real property was material to USSOCOM, the omission of the \$1.2 billion had a material effect on the USSOCOM financial reports.

**Potential Changes in DoD Guidance.** On December 6, 2000, DoD established the PP&E Program Management Office to coordinate and oversee DoD efforts to resolve existing PP&E accountability, accounting, and reporting problems. This office is composed of personnel from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD[AT&L]) and the USD(C). Because of the current PP&E Program Management Office's efforts to change the preponderant use policy, we are not making recommendations on real property reporting for USSOCOM.

**Estimated Reportable Amounts.** To determine whether real property was material to USSOCOM financial reports, we focused our audit effort on obtaining an estimate for the dollar value of the USSOCOM occupied buildings to include improvements and renovation costs. We held discussions with engineering personnel to obtain the acquisition cost of the completed buildings, improvements, and renovations. This data is listed in Table 1.

Table 1. USSOCOM Facilities and Estimated Costs		
Component	Number of Facilities	Acquisition Costs
USSOCOM	6	\$ 8,507,298
USASOC	1,983*	801,309,909
NSWC	210	169,160,520
AFSOC	433	262,130,556
<b>Total</b>	<b>2,632</b>	<b>\$1,241,108,283</b>
*Due to the Integrated Facilities System database format, both additions and modifications were uniquely included in the facilities count total.		

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## Personal Property Guidance, Responsibilities, and Accountability

FY 2000 was the first year that the USD(C) required that USSOCOM provide its financial information for inclusion in the DoD Agency-Wide financial statements. However, neither the USD(C) nor the OUSD(AT&L) had developed the policies needed to meet the unique property accountability and reporting requirements of a unified combatant command. DoD focused its policies for property accountability and reporting toward the Military Departments. In addition, to accurately report all of its property, USSOCOM was dependent on the property accountability systems of the Military Departments. OUSD(AT&L) should have provided guidance to Military Departments defining what property should be reported by USSOCOM and what property should be reported by the Military Departments, as well as clarification of property classification. Without this guidance, USSOCOM could not develop guidance for dissemination to its components. Consequently, each USSOCOM component adhered to DoD or Service-specific guidance, neither of which was entirely applicable or adequate.

**DoD Guidance.** DoD did not have criteria to enable USSOCOM and its components to consistently determine whether USSOCOM or the Military Departments were accountable for the personal property that USASOC, NSWC, and AFSOC used. Specifically, the DoD FMR did not provide adequate property accountability and reporting guidance for a unified combatant command such as USSOCOM. Draft DoD 5000.nn-M, “Property, Plant, and Equipment Accountability” (PP&E manual), October 1999, was more responsive than the DoD FMR on the requirements for accountability records and accountability systems. However, the PP&E manual did not completely resolve the shortcomings in the DoD PP&E policy. In a January 19, 2000, memorandum, the OUSD(AT&L) directed the PP&E manual’s implementation although it has not been finalized.

**OUSD(AT&L) Policy Responsibilities.** The OUSD(AT&L) is responsible for PP&E accountability including systems policy and oversight. The OUSD(AT&L) has developed and issued the PP&E manual to standardize accountability and reporting procedures for PP&E across the DoD Components to include unified combatant commands. However, the PP&E manual did not clearly define property accountability and reporting when both the Military Department and a unified combatant command used the same reportable property. In addition, it did not clearly define the property classification differences between general PP&E and national defense PP&E.

**USD(C) Policy Responsibilities.** The USD(C) is responsible for issuing guidance to DoD Components that governs financial management by establishing and enforcing requirements, principles, standards, systems, procedures, and practices necessary to comply with financial management statutory and regulatory requirements applicable to DoD. The USD(C) issued the DoD FMR for this purpose. The USD(C) regulation goes with the PP&E manual for property financial reporting. However, the USD(C) did not provide further clarification on property reporting or property classification.

**DoD Components Policy Responsibilities.** The DoD Components are required to ensure that both sets of policies are followed. The OUSD(AT&L) and the USD(C) must approve the implementing instructions or guidance before issuance. The Military Departments provided implementing regulations; however, USSOCOM and its

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components used multiple criteria sources with generic DoD or Service-specific focus, and did not have any overarching property accountability and reporting guidance that was applicable command-wide.

**Need for Better Guidance for USSOCOM.** The draft PP&E manual sets the requirements needed to ensure that there is sufficient information to allow DoD financial managers to properly report PP&E information in annual financial statements. The main requirement is the establishment of accountable officers and accountability records by the DoD Components. The accountable officer is responsible for the proper use, care, custody, safekeeping, record keeping, and disposition of the assets. The accountability system must have the capability to allow the DoD Components to calculate depreciation or interface with a system that calculates depreciation. The system must also have the capability to modify the capitalization threshold, if the threshold changes. In addition, the accountability system shall categorize PP&E as general or national defense upon delivery or acceptance to an end user.

**Property Accountability.** USSOCOM component commands used the regulations of their executive agents to determine which property should be reported to USSOCOM Headquarters versus the Military Departments. The use of different regulations created the inconsistency in reporting.

**USASOC.** USASOC used Army Regulation 71-32, "Force Development and Documentation – Consolidated Policies," March 3, 1997, to distinguish between Army and USSOCOM-accountable general PP&E. The regulation states that the Tables of Organization and Equipment and Tables of Distribution and Allowance are the sources for Army equipment authorization. The special operations-peculiar equipment as well as the Service-common equipment used by USASOC were included in the Tables of Organization and Equipment and Tables of Distribution and Allowances. As a result, USASOC considered the Army to be the owner of all of its equipment and consequently, responsible for reporting the equipment on Army general fund financial statements.

**NSWC.** NSWC used Navy policy and guidance for reporting general PP&E. On September 15, 2000, the Department of the Navy issued a data call for the FY 2000 Department of the Navy General Fund Financial Statements. For PP&E, the Navy tasked NSWC to report only those items not included in Navy systems and to exclude all items reported by other Navy entities. However, the instructions did not take USSOCOM into consideration. NSWC uses equipment purchased by both USSOCOM and the Navy. NSWC reported \$6.9 million of general PP&E to the Navy because that equipment was not included in the Navy systems. However, none of the DoD guidance could be used to determine to whom the \$6.9 million of equipment belonged. In addition, NSWC did not report \$1.7 million of the construction and engineering support equipment because the equipment was resident in a Navy system.

**AFSOC.** AFSOC used Air Force policy and guidance for reporting general PP&E. Air Force Manual 23-110, volume 4, part 2, "Air Force Equipment Management System" (AFEMS), chapter 1, January 4, 2000, states that AFEMS enables the Air Force to determine, authorize, account for, and report the types and quantities of equipment required for accomplishing the Air Force mission. The Air Force manual does not specify what equipment should be reported by USSOCOM. Because AFSOC is not a reporting entity within AFEMS, AFEMS did not have the special coding needed to extract USSOCOM funded assets. Therefore, to identify the

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assets for which USSOCOM was accountable, AFSOC logistics personnel first assembled a composite listing of USSOCOM funded items. Secondly, they extracted authorization data from AFEMS containing all assets loaded with AFSOC as the owning command. The AFSOC logistics personnel compared the list of AFSOC authorized assets to the list of USSOCOM funded assets to generate a single listing of items that were USSOCOM funded and special operations-peculiar.

**Property Classification.** For FY 2000, only general PP&E had to be reported on the balance sheet. However, in addition to the ambiguity of what property should be reported by USSOCOM, the question of what is general PP&E as opposed to national defense PP&E surfaced. In addition, USSOCOM also needed guidance to consistently define Automated Data Processing (ADP) equipment.

**General or National Defense PP&E.** USSOCOM lacked the guidance for determining whether to classify PP&E as general or national defense PP&E. The DoD FMR and the draft PP&E manual's definition for mission support PP&E, one of the national defense categories of PP&E, fit many equipment items that would otherwise be classified as general PP&E. Some of NSWC's construction and engineering support equipment and about 50 percent of AFSOC's aircraft maintenance equipment that was special operations-peculiar could be classified as mission support PP&E. The critical difference between mission support equipment and general PP&E lies in whether the equipment is deployable and how deployable is defined. Mission support PP&E is defined as deployable PP&E that is essential to the effective operation of a weapons system or is used by the Military Departments to effectively perform a military mission. The unique structure of USSOCOM means that many of the units of its service components are permanently deployed outside of the United States. In many cases as with AFSOC maintenance equipment, a piece of equipment was considered general PP&E if it was assigned to a unit at Hurlburt Field, Florida, but was considered to be national defense PP&E if it was assigned to an overseas unit. Without implementing guidance, USSOCOM Headquarters and each of its Service components will continue to categorize the equipment differently.

**ADP Systems or ADP Components.** USSOCOM did not have guidance to apply the FMR criteria on accounting for and reporting ADP equipment. The FMR states that "an ADP system for accounting and financial statement reporting purposes consists of dedicated equipment or components linked together and used in the performance of a service or function in support of a mission of a DoD Component, command, or installation." In addition, the guidance states that ADP systems for the purpose of this definition and the requisite accounting treatment are typically referred to as mainframe or mini computer systems, and generally, do not include personal computers linked to a central server and used in an office environment. USSOCOM needed guidance that specifically addressed the kind of ADP equipment that the command used, for example, the Command, Control, Communications, Computers, and Intelligence Automated System (C4IAS). C4IAS is the local area network and wide area network for USSOCOM, and is comprised of personal computers linked to central servers. C4IAS is a Special Operations Forces-wide system of ADP equipment and databases. The system integrates the USSOCOM automation information systems into a management information system that supports the interchange of knowledge among commanders and operations and support personnel. Although the C4IAS uses personal computers, the high cost components of the systems are the servers and other major end items. The FMR does not provide clear guidance on whether the C4IAS can be considered as an ADP system. Also, it is unclear whether USSOCOM should

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aggregate the C4IAS major end items to determine how to define the system. For example, should the system be defined as the entire local area network and wide area network, excluding the personal computers and peripheral items. Because of the lack of clear guidance, USSOCOM did not categorize the C4IAS as an ADP system or as ADP components. As a result, USSOCOM and its Service Components did not report the C4IAS equipment for inclusion on the FY 2000 DoD Agency-Wide Financial Statements. The C4IAS had an acquisition cost of at least \$40 million, excluding the personal computers and peripheral equipment.

## **USSOCOM Personal Property Infrastructure**

USSOCOM had not developed an infrastructure, specifically a database and processes and procedures for property accountability that would facilitate accurate general PP&E reporting at the headquarters level. This situation occurred because USSOCOM had not implemented the draft PP&E manual that required that each organization establish a system that would account for property. The PP&E manual has been approved and is in the process of being issued in final form. As previously stated, the OUSD(AT&L) directed in a January 19, 2000, memorandum that the PP&E manual be implemented although it has not been finalized. The PP&E manual states that DoD components will maintain a formal set of PP&E accountable records in an accountability system. Some of the minimum requirements for accountability PP&E records include asset classification as general or national defense PP&E, acquisition cost and date, asset description, location, and quantity information.

In addition, the equipment used by the component commands was accounted for in the individual Services' accountability systems. USSOCOM had not developed the processes to retrieve accurate, complete, and consistent data from the Service systems, or to analyze the data received. Specifically, USSOCOM and its components used multiple databases, such as logistical and ADP systems to capture general PP&E data, and of the available databases, only one had an accounting module with the requisite data elements and controls for general PP&E financial statement reporting.

**Special Operations Forces Sustainment, Asset Visibility, and Information Exchange.** USSOCOM use of a logistics system did help provide some information on special operations-peculiar equipment. USSOCOM had a logistics system called the Special Operations Forces Sustainment, Asset Visibility, and Information Exchange (SSAVIE)<sup>1</sup> which provided a support system for USSOCOM acquisition and sustainment programs. The purpose of SSAVIE was to provide a single site that identified special operations-peculiar equipment and its support structure; and connected to repair and supply support sites, program managers, and special operations logistics data.

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<sup>1</sup> SSAVIE is a logistics support system, not a property accountability system.

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USSOCOM also used SSAVIE to provide baseline personal property data that the command used in its FY 2000 data call to its components for the Chief Financial Officer Act financial statement reporting.

**USSOCOM ADP databases.** The USSOCOM used ADP databases for tracking its ADP equipment, but identified several substantive issues on ADP equipment accountability and control; specifically that:

- hardware and software were acquired via multiple fund sources and delivered to individual offices without appropriate property labels and barcode information,
- multiple databases were used to capture duplicate information,
- inventory data were not complete nor was there an automated capability to access all repositories to generate information for decision-makers,
- directives and regulations were outdated and did not reflect the current Headquarters USSOCOM organizational structure, and
- USSOCOM lacked clearly defined procedures and tools and offices of primary responsibility to ensure accountability and control of inventory.

The USSOCOM proposed corrective actions included establishing a baseline of the on-hand inventory, identifying procedures to ensure control of baseline information, and documenting the policy in USSOCOM directives.

In addition to the issues that USSOCOM identified, which were substantiated during this audit, the command had other ADP issues. For example, the ADP databases did not contain acquisition costs or dates, or depreciation information. The ADP database inadequacies made it impossible to determine the net book value of the \$40 million of C4IAS equipment using either an ADP system or component approach.

**Military Department Databases.** USSOCOM used a combination of Service-specific property accountability systems at each of its components, in conjunction with its own database of special operations-peculiar equipment. Each Military Department has at least one database for capturing personal property. However, the USSOCOM internal controls over the process did not consider the comparability or consistency of the data from the disparate systems. Each of the Service systems tracked equipment by systems and policies that were different from those of the other Services. Consequently, USSOCOM did not have assurance that all of the equipment was included in a property accountability system.

Table 2 lists the USSOCOM and service component databases and summarizes the varied sources of personal property data. The table also highlights the fact that:

- general PP&E data were fragmented,
- USSOCOM did not have an automated capability to access and compile all general PP&E data to generate financial statement data, and



- USSOCOM lacked clearly defined procedures and tools to ensure accountability and control of general PP&E.

**Table 2. USSOCOM and Component Databases**

Component	Database	Equipment Type	Accounting System Affiliated
HQ SOCOM	ADP	ADP Equipment	N
HQ SOCOM	AFEMS	General PP&E (Varied)	N
HQ SOCOM	SSAVIE	Special Operations Forces PP&E	N
USASOC	DPAS	General PP&E (Varied)	Y
USASOC	SPBS-R	National Defense PP&E	N
NSWC	ADP	ADP Equipment	N
NSWC	CASEMIS	CESE	N
NSWC	TOA	General PP&E (Varied)	N
AFSOC	AFEMS	General PP&E (Varied)	N
AFSOC	IPMS	ADP Equipment	N
AFSOC	MEDLOG	Medical Equipment	N
CASEMIS	Construction and Engineering Support Equipment Management Information System		
CESE	Construction and Engineering Support Equipment		
DPAS	Defense Property Accountability System		
HQ	Headquarters		
IPMS	Information Processing Management System		
MEDLOG	Medical Logistics System		
SPBS-R	Standard Property Book System - Revised		
TOA	Table of Organization and Allowance		

## USSOCOM Personal Property Reporting

Neither USSOCOM nor DFAS Indianapolis had established management controls that identified how USSOCOM personal property value should be reported to DFAS Indianapolis for inclusion in the DoD Agency-Wide financial statements. For FY 2000, DFAS Indianapolis used data calls for obtaining general PP&E data for the ODO general fund financial statements. USSOCOM initiated the data call to its components as a result of the data call from DFAS Indianapolis. However, the data call responses from the USSOCOM components did not provide consistent and accurate information. This situation occurred because USSOCOM did not have guidance to direct the components to report personal property data to USSOCOM so that it could report to DFAS Indianapolis. As a result, USSOCOM reported \$50 million for personal property. However, the \$50 million reflected the acquisition cost only, and did not include amounts for annual depreciation, or a prior period adjustment for the accumulated depreciation that had not been previously reported. In addition, the \$50 million did not reflect the value of all of USSOCOM reportable personal property.

The DFAS Indianapolis team that was responsible for ODO did not include the USSOCOM reported personal property in the DoD Agency-Wide balance sheet. DFAS

did not include the personal property because the team did not believe that the assets that USSOCOM reported via its data call response belonged to USSOCOM. DFAS Indianapolis' position was that the assets were not USSOCOM-owned because only USASOC had reported personal property through the trial balance process, and the equipment was associated with Army fiscal station numbers. In addition, DFAS Indianapolis interpreted the property accountability guidance in the DoD FMR to mean that the Military Departments owned the equipment that the USSOCOM components used. As a result of the USSOCOM and DFAS management control issues, at least \$79 million of USSOCOM personal property was not included in the DoD Agency-Wide financial statements.

Table 3 provides the audit estimates of the personal property that USSOCOM should have reported. The difference in the audit estimates and the USSOCOM reported amounts occurred because USSOCOM did not include the costs of two major systems, SCAMPI<sup>2</sup> (not an acronym) and C4IAS. In addition, USSOCOM reported personal property quantities that did not match those that the executive agents for each component command provided to us. Table 3 also illustrates the fact that reporting by USSOCOM did not reflect the net book value of the personal property for which USSOCOM was accountable. The audit estimate also does not reflect net book value, but reflects acquisition costs for the equipment because depreciation information was not available.

<b>Table 3. Calculation and Comparison of USSOCOM Personal Property Costs</b>		
<b>Component</b>	<b>Audit Estimates</b>	<b>USSOCOM Results</b>
USSOCOM-Wide		
SCAMPI Program <sup>1</sup>	\$15,588,819	0
C4IAS Program	40,387,650	0
USASOC	4,301,143	0
NSWC	3,611,372	5,210,750
AFSOC	18,707,395	44,799,017
<b>Total</b>	<b>\$82,596,379<sup>2</sup></b>	<b>\$50,009,767</b>
<sup>1</sup> USSOCOM reported SCAMPI as National Defense rather than General PP&E, based on their interpretation of its mission.		
<sup>2</sup> The \$83 million is the audit estimate for the acquisition cost of equipment for which USSOCOM was accountable in FY 2000. We were not able to calculate depreciation to arrive at the book value of the equipment. Of the \$83 million acquisition cost, \$79 million was not reported on the FY 2000 DoD Agency-Wide Financial Statements.		

<sup>2</sup> SCAMPI is a closed community system of communications nodes used to transfer command, control, communications, computers, and intelligence data between USSOCOM and its components as well as other Government agencies.

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## Summary

USSOCOM did not accurately report the value of approximately \$1.2 billion of real property in the financial statement data that it sent to DFAS Indianapolis. As a result, on the DoD Agency-Wide financial statements, the \$1.2 billion value of the real property that USSOCOM occupied was reflected as assets of the Military Departments rather than USSOCOM. Because of the current PP&E Program Management Office's efforts to change the preponderant use policy, we are not making recommendations on real property reporting for USSOCOM.

In addition, neither the OUSD (AT&L) nor USD(C) issued the necessary guidance so that USSOCOM could accurately report its personal property. Although USSOCOM reported \$50 million of personal property, USSOCOM should have reported at least \$79 million as the acquisition cost of the equipment for which it was accountable. In addition, DFAS did not use USSOCOM financial data for personal property in generating financial statements. As a result, on the FY 2000 DoD Agency-Wide Financial Statements, USSOCOM and DFAS Indianapolis understated the amount of the USSOCOM personal property by approximately \$79 million.

## Management Comments on the Finding and Audit Response

**The Under Secretary of Defense (Comptroller) Comments.** The Under Secretary disagreed with our assertion that the U.S. Special Operations Command understated the amount of real property that it occupied by approximately \$1.2 billion. According to the Under Secretary, the Command and the Military Departments properly reported property based on their respective special operations units.

**Audit Response.** Based upon the USD(C) guidance that was current as of April 2000, USSOCOM was required to report the value of real property that it occupied. Consequently, we consider the finding to be correct. The special operation units that occupy property owned by the Military Departments are still part of USSOCOM. Unless the guidance is changed, USSOCOM should report all real property where it is the predominate user or occupant.

**U.S. Special Operations Command Comments.** In our report, we stated that the Commander did not report SCAMPI as personal property. The Commander noted that USSOCOM reported SCAMPI as National Defense rather than General Property, Plant, and Equipment, based on their interpretation of its primary mission. In addition, the Commander noted that we used two acronyms C4IAS and C4AIS. The correct acronym is C4IAS.

The Commander stated that in Appendix A, "Management Control Program," we stated that the management controls for reporting real and personal property were not adequate to ensure that the general PP&E information was properly reported. In response, the Commander stated that to properly develop management controls, clear control objectives are required. USSOCOM will establish appropriate controls after the USD(C) finalizes its guidance on PP&E.

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**Audit Response.** We corrected our report to state how SCAMPI was reported and to use the acronym C4IAS. We also agree with the Commander's comments on the management control program.

## **Recommendations, Management Comments, and Audit Response**

**1. We recommend that the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, in coordination with the Under Secretary of Defense (Comptroller), revise and finalize Draft DoD 5000.nn-M, "Property, Plant, and Equipment Accountability," October 1999, to provide:**

**a. Definitions for distinguishing between the property, plant, and equipment of Department 97 entities such as the U.S. Special Operations Command and the Military Departments.**

**b. Additional clarification of general property, plant, and equipment and the mission support equipment category of national defense property, plant, and equipment.**

**c. Criteria on accounting for and reporting automated data processing equipment.**

**Management Comments.** The Under Secretary concurred with the requirements of the recommendations but stated that the DoD Financial Management Regulation should be changed to effect the policy changes, not the Draft DoD 5000.nn-M. According to the Under Secretary, the Draft DoD 5000.nn-M's purpose is property accountability guidance, not accounting and financial statement reporting policy. However, the Under Secretary agreed to work with the USD(C) to ensure changes are made to the DoD Financial Management Regulation.

**Audit Response.** We consider the management comments to be appropriate. After further review of the Draft DoD 5000.nn-M, the policies that the draft report requested would be better made to the DoD FMR. The Draft DoD 5000.nn-M refers to the DoD Financial Management Regulation for any policy that remotely relates to the financial statement reporting.

**2. We recommend that the Under Secretary of Defense (Comptroller), in coordination with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, clarify DoD Regulation 7000.14-R, volume 4, chapter 6, "Property, Plant, and Equipment," August 2000, to provide:**

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**a. Definitions for distinguishing between the property, plant, and equipment of Department 97 entities such as the U.S. Special Operations Command and the Military Departments.**

**Management Comments.** The Under Secretary concurred and agreed to include language to more clearly assist the DoD Components in identifying what organization should report specific property, plant, and equipment in subsequent revisions to DoD Regulation 7000.14-R, volume 4, chapter 6, “Property, Plant, and Equipment.”

**b. Additional clarification of general property, plant, and equipment and the mission support equipment category of national defense property, plant, and equipment.**

**Management Comments.** The Under Secretary partially concurred with the need for additional clarification of general property, plant, and equipment and the mission support equipment category of national defense property, plant, and equipment. However, the Under Secretary does not want to issue the additional guidance until the Federal Accounting Standards Advisory Board issues its new Federal accounting standard.

**Audit Response.** We consider management comments to be responsive. We agree that the Federal Accounting Standards Advisory Board needs to decide whether the policy on property, plant, and equipment categorization needs to be changed. Once a decision is made, then the Under Secretary can issue additional guidance based on the new standard, if necessary.

**c. Criteria on accounting for and reporting automated data processing equipment.**

**Management Comments.** The Under Secretary concurred and agreed to include language to more clearly assist the DoD Components in reporting on automated data processing equipment in subsequent revisions to DoD Regulation 7000.14-R, volume 4, chapter 6, “Property, Plant and Equipment.”

**3. We recommend that the Commander in Chief, U.S. Special Operations Command, develop:**

**a. An infrastructure that facilitates accurate, consistent, and timely property, plant, and equipment reporting.**

**Management Comments.** The Commander concurred and agreed to develop the infrastructure needed for accurate, consistent, and timely property, plant, and equipment reporting. The Comptroller has already acquired the contractual support needed to define the plan. However, guidance from the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller) is needed to fully implement the recommendation.

**b. Command guidance for real and personal property reporting to ensure that the Command is able to provide Defense Finance and Accounting Center Indianapolis with accurate, consistent, and timely data.**

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**Management Comments.** The Commander concurred and agreed to develop command guidance for real and personal property reporting. Again, to take corrective actions, Recommendations 1. and 2. need to be finalized.

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# Appendix A. Audit Process

## Scope and Methodology

**Work Performed.** In this financial-related audit, we evaluated the management controls associated with USSOCOM reporting of real and personal property on the DoD Agency-Wide financial statements. Specifically, we concentrated on the process, procedures, and support for the amounts of property reported in the consolidated ODO financial statements for USSOCOM and subsequently the DoD Agency-Wide financial statements. During the course of this audit we spoke with and gathered data from DFAS, and USSOCOM and its components. USSOCOM components include USASOC, NSWC, and AFSOC. We reviewed PP&E portions of the FY 1999 and FY 2000 balance sheets and associated footnotes. We reconciled the financial statements to the data call results and we reconciled the data call results to the property databases. We reviewed policies, procedures, and the management controls over the reporting of PP&E, and the Annual Statement of Assurance. Audit analysis showed that for FY 2000, USSOCOM was the preponderant user of \$1.2 billion in real property. USSOCOM also had personal property that we conservatively calculated at about \$83 million, \$79 million of which was not reported on the FY 2000 DoD Agency-Wide Financial Statements.

**DoD-Wide Corporate-Level Government Performance and Results Act Goals.** In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate-level goals, subordinate performance goals, and performance measures. This report pertains to the following goal, subordinate performance goal, and performance measures.

- **FY 2001 DoD Corporate-Level Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key war-fighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure. **(01-DoD-2)**
  - **FY 2001 Subordinate Performance Goal 2.5:** Improve DoD financial and information management. **(01-DoD-2.5)**
  - **FY 2001 Performance Measure 2.5.1:** Reduce the number of noncompliant accounting and financial systems. **(01-DoD-2.5.1)**
  - **FY 2001 Performance Measure 2.5.2:** Achieve unqualified opinions on financial statements. **(01-DoD-2.5.2)**

**DoD Functional Area Reform Goals.** Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objective and goal.

- **Financial Management Area. Objective:** Strengthen internal controls. **Goal:** Improve compliance with the Federal Managers' Financial Integrity Act. **(FM-5.3)**

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**General Accounting Office High-Risk Area.** The General Accounting Office has identified several high-risk areas in DoD. This report provides coverage of the Financial Management high-risk area.

**Use of Computer-Processed Data.** To achieve the audit objectives, we relied on computer-processed data in several systems. We relied on the data from the Standard Property Book System-Revised for the Army, the Table of Allowance for the Navy, and AFEMS for the Air Force. We did not test the reliability or accuracy of these property databases. However, we were able to provide conclusions and recommendations based on the data.

**Audit or Evaluation Type, Dates, and Standards.** We performed this financial-related audit from May 2000 through April 2001 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We did our work in accordance with generally accepted Government auditing standards except that we were unable to obtain an opinion on our system of quality control. The most recent external quality control review was withdrawn on March 15, 2001, and we will undergo a new review.

**Contacts During the Audit.** We visited or contacted individuals and organizations within the DoD. Further details are available on request.

## **Management Control Program Review**

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, and DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996, require DoD organizations to implement a comprehensive strategy for management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

**Scope of the Review of the Management Control Program.** We reviewed the adequacy of USSOCOM management controls over the reporting of general PP&E on the DoD Agency-Wide financial statements. Specifically, we reviewed USSOCOM management controls over the flow of property data between the base level information systems, the data call results, and the financial statements. We also reviewed the management controls over the data call process for reporting personal property to DFAS Indianapolis and the USSOCOM FY 2000 Annual Statement of Assurance. The USSOCOM management had not completed a self-evaluation process applicable to those controls.

**Adequacy of Management Controls.** We identified material management control weaknesses for USSOCOM as defined by DoD Instruction 5010.40. USSOCOM management controls for reporting real and personal property were not adequate to ensure that the general PP&E information recorded in the property systems of USSOCOM and its components was reported on the ODO and DoD Agency-Wide financial statements. A copy of the report will be provided to the senior official responsible for management controls in the Office of the Comptroller, USSOCOM.



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**Adequacy of Management's Self-Evaluation.** USSOCOM officials did not identify financial reporting of property, plant, and equipment as an assessable unit and, therefore, did not identify or report the material management control weaknesses identified by the audit.

## **Prior Coverage**

No prior coverage has been conducted on the subject during the past 5 years.

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## **Appendix B. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics  
Under Secretary of Defense (Comptroller)  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Director for Accounting Policy

### **Department of the Army**

Assistant Secretary of the Army (Financial Management and Comptroller)  
Auditor General, Department of the Army

### **Department of the Navy**

Assistant Secretary of the Navy (Manpower and Reserve Affairs)  
Naval Inspector General  
Commander, Naval Facilities Engineering Command  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Unified Combatant Commands**

Commander in Chief, U.S. Special Operations Command

### **Other Defense Organizations**

Director, Defense Finance and Accounting Service  
Director, Defense Finance and Accounting Service Indianapolis  
Director, Joint Staff

### **Non-Defense Federal Organizations and Individuals**

Office of Management and Budget

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform  
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform  
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform



# Under Secretary of Defense for Acquisition, Technology, and Logistics Comments



## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

### EXECUTIVE SUMMARY

#### MEMORANDUM FOR DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS

FROM: DEPUTY DIRECTOR, PROPERTY, PLANT AND EQUIPMENT POLICY *ST* JUN 26 2001

SUBJECT: Department of Defense Inspector General Draft Audit Report, "United States Special Operations Command's Reporting of Real and Personal Property Assets," April 27, 2001 (Project No. D2001FH-0044.001)

#### DISCUSSION:

- The Director, Finance and Accounting Directorate, Office of the Inspector General (OIG), requested comments on the subject draft audit report.
- The report contains one recommendation directed to the Under Secretary of Defense (Acquisition, Technology and Logistics). The report recommends that the USD(AT&L) in coordination with the Under Secretary of Defense (Comptroller) provide more definitive policy guidance to (1) distinguish between property, plant and equipment for entities such as the U.S. Special Operations Command and the Military Departments; (2) clarify general property, plant and equipment from the mission support equipment category of national defense property, plant and equipment; and (3) account for and report automated data processing equipment.
- The report makes the same recommendation to the Under Secretary of Defense (Comptroller). Issuing additional policy, as recommended by the OIG, should be and will be accomplished by modifying the "DoD Financial Management Regulation," which was acknowledged in the OUSD(C) response also prepared by this office.
- The attached proposed response concurs with the recommendation, but indicates that the policy changes should be made to the "DoD Financial Management Regulation."

RECOMMENDATION: Sign the attached memorandum.





OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

26 JUN 2001

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE,  
OFFICE OF THE DEPARTMENT OF DEFENSE INSPECTOR  
GENERAL


SUBJECT: Department of Defense Inspector General Draft Audit Report, "United States  
Special Operations Command's Reporting of Real and Personal Property Assets,"  
April 27, 2001 (Project No. D2001FH-0044.001)

This memorandum is in response to your request for comments on the subject draft audit report.

The draft report provides two recommendations that are identical except that one is directed to the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) and the second is directed to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)). The same recommendation is directed to both offices because the Office of the Inspector General recommends modifying both the Draft DoD 5000.nn-M, "Property, Plant and Equipment," and the "DoD Financial Management Regulation" (DoD 7000.14-R).

This office concurs with the recommended policy changes, but does not agree that such changes should be made to the Draft DoD 5000.nn-M, "Property, Plant and Equipment," because this document serves a different purpose (i.e., property accountability guidance and not accounting and financial statement reporting policy). Rather, such policy changes should be made to the "DoD Financial Management Regulation." Accordingly, this office will work with the OUSD(C) to ensure that such changes are made.

This office appreciates the opportunity to comment on the draft report. The point of contact for this matter is Mr. Michael Powers. Mr. Powers may be reached by e-mail: powersm@osd.pentagon.mil or by telephone at (703) 697-4517.

  
Nancy Spruill  
Director, Acquisition Resources  
and Analysis



# Under Secretary of Defense (Comptroller) Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE  
1100 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1100

JUN 27 2001

MEMORANDUM FOR DIRECTOR, FINANCE AND ACCOUNTING DIRECTORATE,  
OFFICE OF THE DEPARTMENT OF DEFENSE INSPECTOR  
GENERAL

SUBJECT: Department of Defense Inspector General Draft Audit Report, "United States  
Special Operations Command's Reporting of Real and Personal Property Assets,"  
April 27, 2001 (Project No. D2001FH-0044.001)

This memorandum is in response to your request for comments on the subject draft audit report. Specific comments applicable to the recommendations are contained in the attachment.

The draft report states that the U.S. Special Operations Command (USSOCOM) did not accurately report the value of its real property in the FY 2000 financial statements, and as a result, understated the amount of the real property that it occupied by approximately \$1.2 billion. This office does not agree with the assertion that USSOCOM failed to report real property that it should have reported. Consistent with current Department of Defense guidance, the USSOCOM and the Military Departments reported real property occupied by their respective special operations units. (For example, real property housing Army special operation forces at Fort Bragg was reported by the Army while USSOCOM Headquarters real property was reported by USSOCOM. Also, as the noted in the subject audit report, the DoD Agency-Wide Financial Statements were not understated. More detailed comments on the specific recommendations are attached.

The USD(C) appreciates the opportunity to comment on the draft report. The point of contact for this matter is Mr. Michael Powers. Mr. Powers may be reached by e-mail: powersm@osd.pentagon.mil or by telephone at (703) 697-4517.

Nelson Toy  
Deputy Chief Financial Officer

Attachment

**OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)**

**“United States Special Operations Command’s  
Reporting of Real and Personal Property Assets,”  
(Project No. D2001FH-0044.001)**

\* \* \* \* \*

**RECOMMENDATION:** We recommend that the Under Secretary of Defense (Comptroller) in coordination with the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, clarify DoD Regulation 7000.14-R, Department of Defense Financial Management Regulation (“DoDFMR”), Volume 4, Chapter 6 “Property, Plant and Equipment,” August 2000, to provide:

- a. Definitions for distinguishing between the property, plant and equipment of Department 97 entities such as the U.S. Special Operations Command and the Military Departments.
- b. Additional clarification of general property, plant and equipment and the mission support equipment category of national defense property, plant and equipment.
- c. Criteria on accounting for and reporting automated data processing equipment.

**OFFICE OF THE USD(C) RESPONSE:**

**Recommendation a.** The Under Secretary of Defense (Comptroller) plans, in a subsequent revision of Chapter 6, “Property, Plant and Equipment,” of Volume 4 of the DoD Financial Management Regulation, to include language to more clearly assist the DoD Components in identifying what organization should report specific property, plant and equipment.

**Recommendation b.** As the Office of the Inspector General is aware, the Federal Accounting Standards Advisory Board (FASAB) is considering a change in National Defense Property, Plant and Equipment reporting requirements. This office does not issue believe it beneficial to issue additional guidance addressing General Property, Plant and Equipment and the mission support equipment category of National Defense Property, Plant and Equipment until the FASAB issues its new federal accounting standard. Issuing additional guidance prior to the issuance of the new FASAB standard would be premature and could be confusing and require further changes.

**Recommendation c.** The Under Secretary of Defense (Comptroller) plans, in a subsequent revision of Chapter 6, “Property, Plant and Equipment,” of Volume 4 of the DoD Financial Management Regulation, to include language to more clearly assist the DoD Components in reporting on automated data processing equipment.

Attachment



# United States Special Operations Command Comments



UNITED STATES SPECIAL OPERATIONS COMMAND  
7701 TAMPA POINT BLVD.  
MACDILL AIR FORCE BASE, FLORIDA 33621-5323

JUN 25 2001

SORR-C

MEMORANDUM FOR: INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 400  
ARMY NAVY DRIVE, ARLINGTON, VA 22202-4704

SUBJECT: DODIG Draft Audit Report, "USSOCOM's Reporting of Real and Personal  
Property Assets on the FY 2000 DOD Agency-Wide Financial Statements"

1. The purpose of this memorandum is to provide responses to the DODIG Draft Audit Report, "USSOCOM's Reporting of Real and Personal Property Assets on the FY2000 Agency-Wide Financial Statements."
2. The consolidated responses of the Center for Force Structure, Resources, and Strategic Assessments (SORR), the Center for Special Operations Intelligence and Information Operations (SOIO), and the Center for Special Operations Acquisition and Logistics (SOAL) to the subject DODIG draft audit report findings and recommendations follow:
  - a. Recommendations 1 and 2 for the Office of the Under Secretary of Defense (USD) for Acquisition, Technology, and Logistics (ATL) and USD (Comptroller) to provide definitions, clarification, and reporting criteria to differentiate USSOCOM property, plant, and equipment from that of the Military Departments.

Response: Concur.

- b. Recommendation 3a. USSOCOM developed an infrastructure that facilitates accurate, consistent, and timely property, plant, and equipment reporting.

Response: Concur. As the report stated, USSOCOM already instituted planning to baseline its inventory reporting requirements. The USSOCOM Comptroller acquired contract support to define the roadmap. Although included under the discussion of ADP equipment on page 10 of the Draft Audit Report, the process cited applies to all USSOCOM reportable property, plant, and equipment. The architecture, process, data flow, support policy, and the cost to implement the infrastructure depend specifically on the guidance provided by USD (AT&L) and USD (Comptroller) in response to Recommendations 1 and 2 of the Draft Audit Report. We can proceed with a definitive infrastructure design and develop milestones when that guidance is received.

SORR-C

SUBJECT: DODIG Draft Audit Report, "USSOCOM's Reporting of Real and Personal Property Assets on the FY 2000 DOD Agency-Wide Financial Statements"

c. Recommendation 3b. USSOCOM develop command guidance for real and personal property reporting to ensure that the Command is able to provide Defense Finance and Accounting Center Indianapolis with accurate, consistent, and timely data.

Response: Concur. Command guidance will be developed and issued throughout USSOCOM and its service components once the corrective actions to Recommendations 1 and 2 of the Draft Audit Report have been finalized.

d. Appendix A. Management Control Program (Adequacy of Management Controls): USSOCOM management controls for reporting real and personal property were not adequate to ensure that the general PP&E information recorded in the property systems of USSOCOM and its components was reported on the ODO and DOD Agency-Wide Financial Statements.

Response: Clear control objectives are required to develop adequate control systems. As the audit report stated numerous times, USD has not provided clear PP&E reporting guidance to USSOCOM, effectively impairing the Comptroller's ability to develop adequate control systems. Once corrective actions to Recommendations 1 and 2 of the Draft Audit Report have been finalized, USSOCOM will establish appropriate controls for ensuring that general PP&E information is properly recorded and reported on the ODO and DOD Agency-Wide Financial Statements.

e. Other management comments:

(1) Finding in Section on USSOCOM Personal Property Reporting, page 12, second paragraph and Table 3: USSOCOM did not report SCAMPI (not an acronym).

Response: USSOCOM reported SCAMPI as National Defense rather than General Property Plant and Equipment, based on our interpretation of its primary mission.

(2) Page 8, this paragraph uses two acronyms C4IAS and C4AIS. The correct acronym used throughout should be C4IAS.

  
ELAINE S. KINGSTON  
Comptroller

CF:  
SOIG-A  
SORR-C  
SOAL-M  
SOAL-L  
SOIO-B  
SOCS-EN

## **Audit Team Members**

The Finance and Accounting Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report. Personnel of the Office of the Inspector General, DoD, who contributed to the report are listed below.

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